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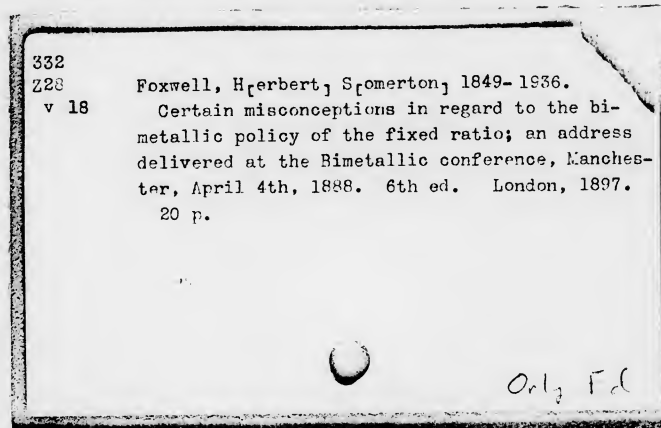
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SIXTH EDITION.

CERTAIN MISCONCEPTIONS IN REGARD
TO THE BIMETALLIC POLICY OF
THE FIXED RATIO.

AN ADDRESS

BY

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CERTAIN MISCONCEPTIONS IN REGARD TO THE
BIMETALLIC POLICY OF THE FIXED RATIO.

Professor H. S. FOXWELL said :—

Few enterprises are more arduous than the attempt to persuade a nation to make an improvement in its monetary mechanism. However great the general advantage which will result from the change, there is always some interest which may imagine itself to be adversely affected. And nowhere is custom more tenacious than in the matter of money ; here, if anywhere, whatever is, is right. Those, too, most familiar in practice with monetary operations have an additional reason for optimistic inertia. We cannot expect them to be very eager to improve a system under which they have contrived to do so well. It is, therefore, more than usually necessary to rouse the great body of the public to a sense of their interest in reform. But popular agitation is in this case exceptionally difficult. The subject is abstruse, though not so abstruse as at first sight it appears ; and it is one in which misunderstandings are almost inevitable. What are preached as truths take root as heresies. If we say that a sound monetary standard facilitates trade, we are supposed to believe that wealth does not depend on industry, but on mint regulations. It would be as reasonable to accuse an advocate of triple expansion engines of assuming that ships can steam without coal. But the charge sticks ; and because we assert that monetary reforms are competent to remove evils due to monetary defects, we are alleged to recommend them as a panacea for all social ills, and are dubbed as currency quacks.

Difficulties of this kind, though especially familiar to us as bimetallists, are incident to every proposal for currency reform. They were encountered by the framers of the famous

Ballion Report in 1810, and of the Bank Charter Act in 1844, precisely as they are encountered by us to-day, now that these two documents have come to be regarded as two of the main pillars of our currency system. It is not with these general difficulties that I wish to deal in this paper, but with some which are peculiar to the particular reform we advocate. I propose to call attention to certain prejudices to which the policy of bimetallicism is especially and, as it seems to me, unreasonably exposed.

I do not describe them as "monometallic fallacies." I prefer to leave fallacy attribution to our opponents. I regard them rather as misconceptions, for which, possibly, we bimetallicists are ourselves partly to blame. It may be that our exposition of our policy has been inadequate, incautious, or wanting in regard for the older forms of economic thought. At any rate, whether fallacies or misconceptions, the prejudices in question are by no means held by all monometallicists; on the contrary, their ablest theoretical writers would entirely repudiate them. The views I wish to consider to-day are not so much the views of really competent monometallicists as the views of the large number of persons to whom the theory of the subject is unfamiliar, and who approach it under a bias due to that confused inheritance of the theory of a past generation which the present generation calls common sense.

For the ablest of our opponents, indeed, we bimetallicists cannot but entertain very kindly feelings. We are in the fortunate position of deriving from them much of our most valuable war material. We need not go outside their writings in order to find principles which, in our judgment, lead conclusively to the policy we advocate. They are more opposed in principle to their own rank and file than they are opposed to us in policy. And so it happens that in the criticisms we have to offer on some of the most inveterate prejudices of the average monometallicist, I can in every case appeal to the authority of some of his leaders. I intend to assume no principles but such as, though common to all the greatest

economists, have perhaps been most strenuously maintained by economists of monometallic leanings, such as Jevons and Dr. Giffen; I might add Mr. Goschen and Professor Marshall, did I not regard these high authorities as in the main upon our side.

It is well understood by the members of this league that, whatever other forms of bimetallicism may be possible or conceivable, we are agreed in preferring, as the most practicable and convenient, the historical bimetallicism of the fixed ratio. Our great object is to maintain a constant ratio of exchange between the two precious metals, so as to facilitate the monetary use of both, to diminish the friction of commerce, and to increase the stability of prices. In short, the principle of the fixed ratio is of the very essence of our scheme.

Now, I believe that one of the principal obstacles in our way, when we seek to enlist public opinion in support of this policy, is a prejudice, not very clearly defined perhaps, but very strongly rooted, and very widely prevalent, especially amongst the general public, and that there is something in this proposal of ours which is artificial, uneconomic, uncommercial, contrary to the general and established practice of the business world.

It is needless to say that I hold this prejudice to be absolutely unwarranted so far as it relates to any proposal which this League would be likely to sanction, though it is not without a certain excuse in the excessive pretensions of some of the continental advocates of bimetallicism. But in any case it deserves to be carefully considered. No doubt it arises from a misconception of the facts; but it represents a healthy British attitude of mind; and, in my opinion, is so solid and respectable an obstacle to the progress of our cause as to make it eminently desirable to get it out of our way.

In its crudest form, it need not detain us long. We are asked how we can expect to maintain by artificial means for any length of time, a ratio at the mints which differs from the market ratio between the metals. The answer, of course, is

that we never expected or intended to do anything of the kind. We seek to make the market ratio stable by the effect of the mint ratio, not to maintain the mint ratio against a differing market ratio. So long as bimetalism really is effective, the market price of each of the metals cannot fall below its mint price any more than the expenses incidental to mintage and carriage to the bimetallic mints; nor can the market price exceed the mint price by more than the expenses incidental to obtaining the metal from the circulation, and converting it into bullion.⁽¹⁾ Without just now going into the theory of this action of the ratio, it is enough for us to point to its actual operation from 1803-1873.⁽²⁾ We can say, to parody the words of the American humourist, "We believe in bimetalism because we have seen it done."

But I will take a more subtle form of the same objection, as it is phrased by an able banker in the city of London. "As the circumstances of production of both metals are constantly changing, it is contrary to principle to make, by law, a fixed equation between them."

Here we have the same feeling that there is something in bimetalism which is artificial, uncommercial, not precisely "cricket," if the expression may be allowed. The writer seems to feel two difficulties. First, prices ought to be determined by cost of production. Secondly, as the conditions of production are variable, fixity of ratio between prices is artificial and uneconomic.

The first difficulty appears to me to arise from an exaggerated estimate of the influence of cost of production on value, due partly to the experience in actual trade of some conspicuous examples of this influence, and partly to the one-sided theory

⁽¹⁾ These limits of variation of the market ratio, narrow as they are, would be greatly contracted if the metals for the most part remained in bar, and entered into circulation by means of notes or certificates, convertible into bar on demand, on the system recommended by Ricardo and Baring.

⁽²⁾ Lord Liverpool points out that from the 13th Edward III. to the 2nd James I., or for more than two centuries and a half, the ratio only varied 12 per cent. *Treatise on the Coins of the Realm*, 1805, p. 56.

of Ricardo and certain economists of his school. Ricardo, in his general treatment of value, took as his type the exceptional cases, such as that of cotton manufacture, where cost of production is the important factor in price. But in all cases demand is the first and most fundamental factor; and in the case of money, as Ricardo himself was well aware, though he seems to have misled some of his disciples, the influence of cost of production becomes comparatively slight.

The fact is that in any case cost of production only affects value indirectly, as one of the circumstances which determine supply. This is the sound, wholesome doctrine, universally admitted by modern economists. And where the commodity is a very durable one, and the total stocks existing consequently bear a large proportion to the annual supply, this indirect effect of cost of production on value will be extremely slow, and sometimes altogether uncertain. It may be that before one change in production has produced its normal effect on price, a new and opposite change may have taken place.

This point has been noticed by many economists, including Adam Smith, who makes special reference to the precious metals; Babbage, who observes that "the value of permanent commodities will be very independent of cost of production;" and Newcomb, who holds that "the value of the precious metals is less dependent upon current production than in the case of any other commodity." It would, indeed, be almost needless to refer to so well-established a truth, were it not entirely ignored by such opponents of bimetalism as Mr. J. H. Norman.

Further, cost of production is inoperative on value in proportion as an industry is highly speculative in its nature. This is more or less the case with both of the precious metals, but especially so with gold. All the experts agree that the occurrence of gold in remunerative quantities is an extremely accidental matter. No industry is so much governed by gambling motives, and so little by calculation. In consequence we find little relation between the value of the monetary metals

and their supply. Thus, Lord Liverpool himself tells us that fifty-five years after the discovery of the silver mines of Potosi, no effect was produced on the valuation of the coins at the English mint. It was, in fact, slightly more unfavourable to gold at the end of the period in 1601.⁽¹⁾ And since 1873, though the value of gold has been steadily rising, its production has considerably fallen off; while on the other hand the production of silver has steadily increased in spite of a steady fall in its price. And Mr. Chevasus has shown conclusively that the decade 1871-80, during which the market ratio varied most, was the one during which the production showed the nearest approach to the $15\frac{1}{2}$ to 1.⁽²⁾

Enough, perhaps, has been said to show that the phrase *normal cost of production* has little meaning as applied to the precious metals, and still less relation to their value. But I should mention one more circumstance confirming this conclusion in the case of silver. It is well known that commodities which are joint products of the same manufacturing process cannot have an independent cost of production. Forty-three per cent., or nearly half of our present silver product, falls under this rule, being obtained in the treatment of ores worked primarily for the sake of other metals.

Upon the whole, then, we are amply justified in saying that there are hardly any commodities known to commerce on whose value cost of current production has less influence than the two metals silver and gold.

Hitherto, it will be observed, it has not been necessary to take account of the monetary use of the precious metals. The argument has treated them simply as two commodities of high value and great durability, whose production is very accidental, irregular, and speculative. The monetary use of the metals becomes an important element, however, when we deal with the objection to the fixed ratio.

⁽¹⁾ *Treatise on the Coins of the Realm*, 1805, p. 49.

⁽²⁾ *Jour. Inst. Bankers*, Dec., 1885, pp. 534-5.

We may imagine a monometallist critic to waive the contention that the value of the monetary metals must be determined by their cost of production. Granted, he may say, that their value is only remotely affected by cost of production, and is mainly determined by relations of demand and supply. But how is it possible, while these conditions of demand and supply are constantly changing, and changing differently for the two metals, to preserve a fixed ratio of exchange between them?

The answer is really very simple. Suppose that the quantities of the metals supplied are constantly varying. And suppose that, for some reason or other, the respective demands for the metals vary in precisely the same way—that is, that as the supply of a metal increases, the demand increases in precisely similar amount and *vice versa*. Is there any reason why these variations should affect the ratio of exchange between the metals? Clearly not.

Now, this is precisely the result which bimetallism, so long as it is maintained, necessarily brings about. By fixing the ratio and opening the mints freely at the fixed rate to both metals, it creates a demand at that rate for whatever quantity of either metal is produced.

It should be observed that bimetallism does not in any way fix the *absolute* value of the metals—their value in relation to commodities. It is probable, indeed, that this value would vary much less under a bimetallic than under a monometallic system. But all that bimetallism proposes actually to fix is the *relative* value of the two metals—the ratio in exchange of the one for the other: the silver value of gold and the gold value of silver.

Now, we are told, this is an arbitrary interference with the metal markets of a most exceptional kind. On the contrary, I wish to point out that nothing is more common in ordinary business than for the ratio of exchange of two commodities to be fixed independently of any variation in their cost of production.

The first and most general case is the case of ordinary commercial competition. Articles of precisely similar quality will sell at the same time and place for the same price, without any regard to their respective costs of production. The reason is clear. They sell at the same price, at a fixed ratio of equality, because they are interchangeable and equivalent in use. It is perfectly indifferent to the consumer which he buys. Commodities to which this law of indifference applies strictly sell at the same price. In other words, their prices are connected by the fixed ratio of unity or equality.

This law of indifference applies to the precious metals in certain respects; so far, that is to say, as they are used for monetary purposes only, and so far as they are capable of discharging with equal convenience, the same monetary function. These limitations will be considered later.

In this, which is the simplest case of fixity of ratio in ordinary business, the fixed ratio is that of equality, and the very simplicity of the relation has caused it to be comparatively unobserved. The consumer thinks it so natural to pay the same price for all the wheat he consumes that he forgets at what very different costs various portions of this wheat have been raised. The difference of cost may have been as great as in the case of the two metals; but the iron law of indifference rules the price, and the values of all portions of the wheat supply, if of the same sample, are connected by the fixed ratio of equality.

There is a familiar and important case of the fixed ratio of equality in which the articles connected are not precisely similar in quality, nor called by the same name. I refer to the case of the daily morning paper. It would obviously be untrue to say that it is perfectly indifferent to the public which paper they buy. But there is enough indifference in the matter to establish, with scarcely an exception, the rule of equality of ratio in the prices.

But, generally speaking, the ratio of preference established in the public taste is not one of precise equality.

It shades away from unity to almost any assignable magnitude. Our bimetallic ratio of 1 to $15\frac{1}{2}$ is only one in a multitude of similar ratios established by habit, fashion, or necessity, in the mind of the consumer. This point, which is of supreme importance for us bimetallicists, has been admirably illustrated by an economist of world-wide reputation, whose genius was first recognised in this city—the late Mr. Stanley Jevons. I would invite your particular attention to the passage in his *Theory of Political Economy* where he deals with the question.

“Whenever,” he observes, “different commodities are thus “applicable to the same purpose, their mutual ratio of “exchange cannot vary much, for it will be closely defined “by the ratio of their utilities. Beef and mutton, for “instance, differ so slightly that people eat them almost “indifferently. But the wholesale price of mutton, on an “average, exceeds that of beef in the ratio of 9 to 8, and “we must, therefore, conclude [What? That their cost “of production varies in this proportion? No.] that people “generally esteem mutton more than beef in this proportion, otherwise they would not buy the dearer meat. . . . “This would, doubtless, not hold true in extreme circumstances. If mutton became extremely scarce, there would “probably be some persons willing to pay a higher price, “merely because it would then be considered a delicacy. “[That is to say, its rarity would add a new element of “utility to it, and its ratio of utility to beef would really “have changed.] But this is certain, that so long as the “equation of utility holds true, the ratio of exchange “between mutton and beef will not diverge from that of “8 to 9. If the supply of beef falls off to a small extent, “people will not pay a higher price for it, but will eat “more mutton; and if the supply of mutton falls off, they “will eat more beef. *The conditions of supply will have no “effect upon the ratio of exchange; (1) we must, in fact,*

(1) *Italics mine.*

"treat beef and mutton as one commodity of two different strengths—just as gold at 18 carats and gold at 20 carats are hardly considered as two but rather as one commodity, of which twenty parts of one are equivalent to eighteen of the other. [We may add gold at 1 and silver at $15\frac{1}{2}$.]

"It is upon this principle that we must explain, in harmony with Cairnes' views, the extraordinary permanence of the ratio of exchange of gold and silver, which, from the commencement of the eighteenth century up to recent years, never diverged much from 15 to 1. That this fixedness of ratio did not depend entirely upon the amount or cost of production is proved by the very slight effect of the Australian and Californian gold discoveries, which never raised the gold price of silver more than about $4\frac{1}{2}$ per cent., and failed to have a permanent effect of more than $1\frac{1}{2}$ per cent. This permanence of relative values may have been partially due to the fact that gold and silver can be employed for exactly the same purposes, but that the superior brilliancy of gold occasions it to be preferred, unless it be about 15 or $15\frac{1}{2}$ times as costly as silver. Much more probably, however, the explanation of the fact is to be found in the fixed ratio of $15\frac{1}{2}$ to 1. . . . [1871].

"Since the first edition of this work was published, the views of Wolowski have received striking verification in the unprecedented fall in the value of silver which has occurred in the last three or four years. . . . The great production of silver in Nevada may contribute somewhat to this extraordinary result, but the principal cause must be the suspension of the French law of the double standard and the demonetisation of silver in Germany, Scandinavia, and elsewhere."⁽¹⁾

It is important to notice that the passage quoted was written by Jevons without any reference to bimetallic controversy, which had not at that time really commenced.

(1) *Theory of Political Economy*. 2nd ed. 1879, pp. 146-8.

The law he expounds in it follows directly from the fundamental principles of his theory, a theory which is ever gaining new adherents among the chief economists of Europe and America.

The fact that commodities are often thus related in price by the ratio of their utilities, in spite of the existence of a different ratio between their cost of production, is so vital to us as bimetallicists that I may perhaps give a few more illustrations of it.

Take, for instance, the case of tea and coffee. It would appear that the ratio of preference in this case is something like two to one in favour of tea. Now, suppose that when tea is selling at 3s. a pound, and coffee at 1s. 6d., the cost of production of tea increases, without any change in that of coffee. The first effect will be in the rise in the price of tea, perhaps to 4s. a pound. But this will, if the ratio of preference remains the same, diminish the consumption of tea, and increase that of coffee. So that ultimately we shall have, say tea at 3s. 4d. a pound and coffee at 1s. 8d., that is, they will sell at the same ratio of two to one as before.

Again, take the case of railway and omnibus competition, and suppose that, in consequence of the superior speed of the railway, it is preferred to the omnibus in the ratio of three to two. Then, if the railway is charging $\frac{3}{4}$ d. a mile, and the omnibus $\frac{1}{2}$ d., and if the omnibus, owing to a fall in the cost of fodder, can reduce its fares 25 per cent., it is clear that the railway must do the same, whatever its expenses may be, if it is to retain its share of the competitive traffic.

I need hardly refer to the case of rail and water competition, because the action of the railways in accommodating their charges to the water charges has recently attracted so much public attention. The railways in this case were merely recognising the existence of a fixed ratio of utility between the two kinds of carriage, and endeavouring so to adjust their charges to this ratio as to secure a share of the traffic.

The last examples I will give afford a still closer parallel to the action of bimetallism, because they are cases where the fixed ratio of price is maintained in independence, not only of the ratio of costs of production, but even of the varying ratio of utility in the minds of the consumers. They have the further advantage of being, as it were, self-registering. We are able to see for ourselves, in the most obvious and graphic way, how competition operates by adjusting the demand when the ratio of price is fixed.

Custom in the London West-end theatres seems to have established a ratio of price, as between stalls and pit seats, of something like 5 to 1. But it sometimes happens that in particular houses the demand for seats at this ratio does not correspond to the area of the floor of the house usually assigned to each class of seats. There is a very large demand for stalls at the temple of burlesque; they are rather at a discount at the home of melodrama. How is the difficulty to be met. Our opponents would tell us that the only commercial method is to raise the price of the stalls in the one case, and to lower them in the other. We know, however, that it is much more common to effect an adjustment by altering the area of the house allotted to the two classes of seats. The ratio of price remains fixed; and the equilibrium is brought about by allowing elasticity to the demand.

In the same way the railway companies keep up a rigid fixity of ratio between the fares for first and third class passengers. We are told that this ratio bears little relation to cost of service, and that the first class traffic is the least remunerative of all railway business. On the other hand, it is pretty clear that the ratio of preference in the public mind is steadily altering in favour of third class. But the companies find no difficulty in maintaining the ratio of price fixed. They increase their third class accommodation, and diminish the first class. The only evidence of the changed conditions of demand is to be seen in the large proportion of the train now made up of third class coaches. The composition of the train in this case, and the arrangement

of the floor of the theatre in the other case, change exactly as the composition of the total stock of monetary metals might change under a bimetallic *régime*. The equilibrating action is of precisely the same kind.

Perhaps I have laboured this point of the fixed ratio somewhat unnecessarily in the opinion of many present, to whom it will be quite familiar. But I am extremely anxious that it should be understood that this fixed relation between prices is a perfectly regular, perfectly commercial, and thoroughly well-established thing. It is so far from being "uneconomic," or "involving an interference with the ordinary laws of value," as our opponents sometimes tell us, that it is the very foundation of the theory of price, and the corner-stone of the economic theory of rent.

But a persistent objector may still urge that, in the cases I have instanced as analogous to the bimetallic fixed ratio, the ratio is fixed by the general body of consumers.⁽¹⁾ At any rate, he may ask—On what ground does the State assume to fix this ratio in the case of the precious metals?

The State fixes the ratio, because the principal use of the precious metals is the monetary use; and the monetary use is largely and necessarily a matter of convention, determined by State regulation. Unless we are prepared to adopt Locke's view that there is such a thing as a "natural" money, we must admit that money must be the subject of convention. If, indeed, we accept Locke's principal of "naturalness," we shall probably be forced to his conclusion—that silver, not gold, is the money of nature. I may add that a further reason why the State should fix a ratio in the case of the precious metals is that the vague ratio fixed by public estimation is extremely inconvenient. Absolute precision and fixity are desirable in all monetary institutions. I need not insist here upon the great advantage that a fixed ratio gives by relating single standard currencies based on

⁽¹⁾ Not, however, in the cases of the theatre and the railway, where it is arbitrarily fixed by the proprietors.

different metals. My object is not to show the numerous benefits resulting from the fixed ratio, but to show why that ratio should be fixed by the State.

It must be observed, however, that the State cannot fix the ratio quite arbitrarily, as some over-zealous bimetallicists at one time contended.

It could do so :—

1. If the metals had only a monetary use.
2. If it were perfectly indifferent which we used for all monetary purposes.
3. If the ratio had no effect on the supply, and, consequently, on the stability of value of the compound currency.

But considerable qualification is necessary under all of these heads :—

1. The metals are largely used in the arts and for hoarding.
2. Until our circulating medium is wholly paper, based on metal, we shall require, for convenience, that both metals remain in circulation. For certain purposes, however, it is really indifferent whether we use silver or gold. Bank reserves, and perhaps military reserves under a bimetallic system, might be kept in either metal. International money transactions between bimetallic countries might be effected by warrants, based on either metal. And a certain limited part of the actual circulation might consist of either gold or silver; but the public convenience must be carefully consulted. Habit counts for much in the matter of the actual pocket money of the people; and the margin of indifference must not be taken as very wide. But it will be observed that in proportion as our actual medium of exchange takes the form of paper, the monetary indifference of the metals, and therefore, the range within which the bimetallic ratio may be stably maintained, increases.

3. It must be noticed that the choice of a ratio between the metals may affect the stability of value of the compound metallic money. For example, it is the opinion of certain experts that a rise in the price of silver in relation to gold would increase its

production. But it is very doubtful if any similar effect on the supply of gold would result from an alteration of the ratio in favour of gold. Hence, if in order to preserve stability of prices it is necessary to increase the monetary supply, it may be advisable to choose a ratio giving a comparatively high value to silver; and *vice versa*.

I have now tried to show, in refutation of the anti-bimetallic prejudices we have been considering—

1. That the ratio of exchange of commodities is by no means necessarily determined by their relative cost of production, especially when they are very durable, as in the case of the precious metals.

2. That this ratio of exchange is often fixed quite independently of cost of production by the ratio of utility to the consumer; and that this fixity of ratio is perfectly commercial, of frequent occurrence, and a recognised principle of economic science.

3. That, in the case of the monetary metals, it is only natural that the State, which determines the monetary use, should fix the ratio.

I trust that what has been said in illustration of these positions may go some way to remove the apparent strangeness of the principle of the fixed ratio, and to show that it is not only economically sound, but in accordance with ordinary commercial usage. If I have thus been able to reassure any friends of our general policy who were somewhat doubtful about our *modus operandi*, or to lead any whom the fixed ratio had made our opponents to give our general policy a fair consideration, my main object will have been attained.

A few words in conclusion upon the general aims of the bimetallic policy, and the currency situation with which we have to deal.

The fundamental object of the State in all its dealings with money should be to do all in its power to preserve stability of prices. Whether in determining to fix a ratio, or in

deciding which is the best ratio to adopt, this must be the primary aim.

We bimetallists are not inflationists, because justice as between debtor and creditor is the State's first obligation, and because a rapid rise of prices brings with it undoubted evils, though it is less mischievous than a rapid fall.

Still it is rarely possible to hit the exact mean in legislation of this kind. And if called upon to choose between a supply of monetary medium slightly below and one slightly above the point necessary to maintain prices at a level, I should undoubtedly consider it safer to incur the risk of an excessive supply; partly because, as President Walker clearly shows, the rise of prices lightens the pressure of debt, and gives a stimulus to industry; partly because, as Jevons points out, an annual excess of supply will disturb prices much less in the long run than an equal annual deficiency.

Mr. Giffen thinks that the effect of a gold scarcity will be gradual like that of the gold discoveries. Unfortunately the effect of a scarcity, unlike that of an excess, is an accelerating one.⁽¹⁾ Further, we must expect an increase of population and trade, and an increase in the waste from wear and tear, as well as an increase in the amount used in the arts. All these circumstances aggravate the pressure caused by a deficiency of the metals, and diminish the reason to apprehend danger from an excess. The natural tendency of prices, in short, as Jevons observes, is to fall. Governments, therefore, whose duty is to maintain stability of prices, should rather aim at averting a deficiency of the metals than at preventing an excess.

The great danger of the present situation consists in the premium which it puts upon the hoarding of gold and on the further demonetisation of silver. So long as gold appreciates in comparison with silver, so long an additional motive is added to those which already tend to withdraw gold from circulation. The tendency of bimetalism, on the contrary, is to increase the power which silver has to take the place of

⁽¹⁾ Cf. Jevons. *Investigations in Currency and Finance*, pp. 64-70.

gold for all purposes, including that of hoarding. It can scarcely be doubted, too, that the introduction of a uniform international money would lessen the necessity for bullion dealings. A further important economy of the metals would thus be introduced by the use of warrants for international liquidations.

On all grounds, then, I am forced to the conclusion that bimetalism offers the best practicable solution of our present difficulties, so far as they are the consequence of the instability of our standard of value and the fall of prices. It is a conclusion which I have never been able to resist since I first clearly realized what bimetalism meant. But no one can read economic history without feeling how much may be said on both sides of almost every economic proposal; and I was, therefore, reluctant to give public expression to my conviction until I could feel sure that I had heard all that could be urged upon the side of our opponents. I take it that in the evidence given before the Gold and Silver Commission we have now had the case against bimetalism put in the strongest form possible. I can only say that a perusal of this evidence leaves me more than ever convinced of the strength of our position. In their eagerness to attack our policy some of the monometallists have not hesitated to throw doubt on the best established doctrines of monetary theory: indeed, they could scarcely have gone further in their scepticism if they had denied that twice two make four. But scepticism of this sort, though it may throw doubt on the advantage of any given reform, can give no support to defects in existing legislation; its effect is purely negative. It is repudiated, too, by the abler witnesses on the monometallic side, whose evidence seems to me to furnish the bimetalist with all the admissions he can possibly require.

In short, I am distinctly of opinion that Locke and Ricardo were right, and that if we must have a single standard, that standard should be silver, as of old. But we are not now free to choose. We have to accept the facts that we are accus-

tomed to the use of gold, and that both gold and silver will be used as standard money in various parts of the commercial world. Granting this there should clearly be a fixed ratio between the two metals, giving us one monetary valuation. I am inclined to think that the ratio adopted should lie somewhere within the limits of $15\frac{1}{2}$ to 1 and 22 to 1 ; and my own preference would be for a ratio nearer to the higher value of silver as likely to give greater relief to prices. But I should regard any ratio within these limits as better than none. If the present monetary chaos is to continue, we seem to me to be committed to a fall in prices, whose commercial, and still more whose social, consequences I can only regard with the gravest apprehension.

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